

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Clark, Michigan	County Mackinac
Fiscal Year End June 30, 2006	Opinion Date September 20, 2006	Date Audit Report Submitted to State December 13, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-495-5952	
Street Address 16978 S. Riley Avenue		City Kincheloe	State MI
		Zip 49788	
Authorizing CPA Signature <i>Kenneth A. Talsma</i>	Printed Name Kenneth A. Talsma		License Number 1101024989

CLARK TOWNSHIP

BASIC FINANCIAL STATEMENTS

June 30, 2006

CLARK TOWNSHIP

ELECTED OFFICIALS

TOWNSHIP SUPERVISOR

LINDA HUDSON

TOWNSHIP TREASURER

KATIE VANEENENAAM-CARPENTER

TOWNSHIP CLERK

CATHY NORDQUIST

TOWNSHIP TRUSTEE

TAMMY CRUICKSHANK

TOWNSHIP TRUSTEE

DANA LEACH

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

INDEPENDENT AUDITOR'S REPORT

Board of Trustees of
Clark Township, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Clark Township, Michigan as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 4 to the financial statements, records were not available to support the cost of certain general infrastructure and capital assets, and, accordingly, did not have records supporting its depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure and capital assets be capitalized and depreciated, which would increase or decrease the assets, net assets, and expenses of the governmental activities, business-type activities and major enterprise fund. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities, business-type activities and major enterprise fund, is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities, business-type activities, and major enterprise fund, of Clark Township, Michigan, as of June 30, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects the respective financial position of each major governmental fund and the aggregate remaining fund information of Clark Township, Michigan as of June 30, 2006 and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2006 on our consideration of Clark Township, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparisons as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clark Township, Michigan's, basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Anderson, Tackman & Company, PLC
Certified Public Accountants

September 20, 2006

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets increased 64% from a year ago increasing from \$568,815 to \$932,761. A significant portion of the increase resulted from a prior period adjustment relating to the accounting for special assessments (See Foot Note 10).

In a condensed format, the table below shows the net assets of Clark Township.

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current Assets	\$ 2,527,668	\$ 2,306,092	\$ 60,857	\$ 53,041	\$ 2,588,525	\$ 2,359,133
Noncurrent Assets	679,886	600,800	1,318,492	1,362,199	1,998,378	1,962,999
Total Assets	3,207,554	2,906,892	1,379,349	1,415,240	4,586,903	4,322,132
Current Liabilities	206,682	196,578	11,760	15,239	218,442	211,817
Noncurrent Liabilities	3,435,700	3,541,500	-	-	3,435,700	3,541,500
Total Liabilities	3,642,382	3,738,078	11,760	15,239	3,654,142	3,753,317
Net Assets						
Invested in Capital Assets -						
Net of Debt	403,686	308,800	1,318,492	1,362,199	1,722,178	1,670,999
Unrestricted	(838,514)	(1,139,986)	44,097	32,802	(794,417)	(1,107,184)
Restricted	-	-	5,000	5,000	5,000	5,000
Total Net Assets	\$ (434,828)	\$ (831,186)	\$ 1,367,589	\$ 1,400,001	\$ 932,761	\$ 568,815

The negative balance in unrestricted net assets of the Township's governmental activities is caused by the accounting of the sewer debt and the related capital assets. The capital assets are accounted for in the business-type activities column or sewer fund. However, the debt for the sewer capital assets is recorded under governmental activities because the debt is paid with taxes and special assessments.

The current level of net assets for our governmental activities stands at \$932,761, or about 77% of expenses. This is within the targeted range set by the Township Board of Trustees during its last budget process.

The following table shows the activities of the Township.

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Program Revenues						
Charges for Services	\$ 182,712	\$ 167,160	\$ 208,906	\$ 226,778	\$ 391,618	\$ 393,938
Operating Grants and Contributions	11,365	39	-	-	11,365	39
Capital Grants and Contributions	9,530	4,623	-	-	9,530	4,623
General Revenues						
Property Taxes	529,485	574,785	-	-	529,485	574,785
State-Shared Revenues	173,754	151,186	-	-	173,754	151,186
Other	68,426	76,051	-	-	68,426	76,051
Investment Earnings (Loss)	34,256	24,325	408	606	34,664	24,931
Transfers	(60,000)	(104,782)	60,000	104,782	-	-
Total Revenues	949,528	893,387	269,314	332,166	1,218,842	1,225,553
Program Expenses						
Legislative	63,221	38,974	-	-	63,221	38,974
General Government	331,457	329,207	-	-	331,457	329,207
Public Works	140,227	190,725	-	-	140,227	190,725
Public Safety	64,152	64,481	-	-	64,152	64,481
Health and Welfare	54,017	47,910	-	-	54,017	47,910
Recreation and Culture	32,946	48,306	-	-	32,946	48,306
Interest Expense	169,218	211,484	-	-	169,218	211,484
Other Expenses	28,728	205,117	-	-	28,728	205,117
Depreciation Expense	16,160	-	-	-	16,160	-
Sewer	-	-	301,726	343,173	301,726	343,173
Total Expenses	900,126	1,136,204	301,726	343,173	1,201,852	1,479,377
Changes in Net Assets	49,402	(242,817)	(32,412)	(11,007)	16,990	(253,824)
Net Assets – Beginning	(831,186)	1,180,856	1,400,001	1,411,008	568,815	2,591,864
Prior Period Adjustment	346,956	(1,769,225)	-	-	346,956	(1,769,225)
Net Assets – Ending	\$ (434,828)	\$ (831,186)	\$ 1,367,589	\$ 1,400,001	\$ 932,761	\$ 568,815

Governmental Activities

The Township's total governmental revenues increased by approximately \$56,141, primarily due to the increase in ambulance charge for services and state revenue sharing. In 2006, the Township began recording accounts receivables for ambulance charges and state revenue sharing. There was also an increase in interest earnings in 2006 of \$9,931.

Expenses decreased by about \$236,078 during the year. This was primarily the result of a decrease in expenditures for streets and roads, interest charges, capital outlay and other expenses.

General government activities include projects such as new shingles on the gazebo in Cedarville Park and prepping and re-staining the exterior on the Township Hall. Most of the activities this year were internal improvements such as establishing new employee policies, job descriptions and negotiation of a union contract for the Dept. of Public Works employees; improving procedures and processes; and organizing document archives.

Business-Type Activities

The Township's only business-type activity is the sewer. They provide sewer service to approximately 826 customers (residential and commercial) each month. Sewer revenues in 2005 were greater, because of accounting adjustments to record receivables for sewer billings and other corrections. In 2006 there were no significant adjustments. Sewer expenses decreased from the prior year from reduced maintenance costs.

Activities in the Sewer Department this year include a new chemical building at the Wastewater Treatment Plant that will increase and distribute ferrous chloride in two aeration ponds. This additional treatment will dramatically reduce the amount of nutrients in the spring and fall discharges, reducing the fertilization of the weeds which are such a problem in Cedarville Bay.

The Township's Funds

Our analysis of the Township's major funds begins on page 11, following the entity wide financial statements. The fund financial statements provide more detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2006 include the General Fund, Road, Ambulance, and Sewer Assessment Funds.

The General Fund pays for most of the Township's governmental services. The most significant is general government, which incurred expenses of approximately \$331,457 in 2006. These services are largely supported by Property Taxes, Revenue Sharing, and Tribal 2% Funds, which are recorded in the General Fund.

Budgetary Highlights

Over the course of the year, the Township Board amended the budget to take into account events during the year. Revenues exceeded expectations by \$44,829. Township departments overall did not exceed the budget, resulting in total expenditures \$46,843 under budget. This caused the General Fund's fund balance to increase from \$27,030 a year ago to \$102,334 at June 30, 2006.

Changes in revenue were due to:

- Ambulance fee revenues were up about \$40,000 because we were able to collect fees that had been in arrears.
- \$15,000 grant for Planning & Zoning was not pursued, and postponed until 2007.
- The Township received \$5,000 in Tribal 2% funding to assist the Library in providing services to our taxpayers.
- The Township received \$5,000 in Tribal 2% funding to help pay for thermal imaging camera for Fire Department.
- Interest received on taxes and savings were about \$15,500 higher than anticipated.
- There was about \$8,000 in insurance claim reimbursements.
- Road millage revenue was \$14,000 less than expected due to Headlee roll back which should not have been applied.
- Increase in interest collected in Sewer Special Assessment and early pay-offs of Special Assessments increasing revenue in fund 528 by about \$6,000.

While some of the expenditures were lower than anticipated, others were higher at year end due to changes or impacts of unanticipated events:

- Legal fees up almost \$4,000 in general fund and \$10,000 in sewer operational fund due to union negotiation expenses.
- Contracted with a Level III Assessor with 8 years experience instead of Level II Assessor with no prior experience, more clerical resources to get office organized, data input to new assessing software and document archives set up. Assessor block increased by \$14,000.
- \$15,000 was not expended in Planning & Zoning as the project was postponed until 2007.
- Costs for solid waste disposal have gone up dramatically, costing about \$5,000 additional.
- Employee health insurance plan was not implemented until October. A less expensive plan was found with each employee cost sharing 20% of expense. Health insurance expense came in \$30,000 under budget.
- Financial consulting was \$9,000 higher to straighten out accounts and make changes to improve accounting procedures.
- Maintenance to our computer network went up \$8,000 due to lightening strike. This figure is offset by revenue for insurance claim.
- The Fire Department bought a thermal imaging camera with \$5,000 Tribal 2% money and another \$4,000 from their equipment fund.

Capital Asset and Debt Administration

At the end of 2006, the Township had \$1,998,378 invested in a broad range of capital assets, including land, buildings, and fire equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law, which makes these roads the property of the Mackinac County Road Commission (along with the responsibility to maintain them). The Township reduced its outstanding debt by \$78,500 to an ending balance of \$3,538,200.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for 2007 calls for a freeze on property tax rates. This can be accomplished because of the strong growth in our tax base. Because of the impact of Proposal A, however, the Township needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value on any individual property to the lesser of inflation. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Township may grow less than by inflation, before considering new property additions.

Budget items for 2007

Fire and Ambulance Departments: In August 2006 a millage was passed past by the voters supporting 1 mil increase for one year only, to help purchase a new ambulance for the Ambulance Corps and a new tanker truck for the Fire Department. This millage should raise approximately \$ 167,416. The Township has budgeted an additional \$ 180,000 from a special emergency vehicle fund to put with the new millage revenue to pay for these replacement vehicles.

Recreation Park: Now that excavation of the Township recreation park is completed, implementation and construction will begin next fiscal year. The Recreation Committee has begun a fundraising campaign with \$ 11,500 in challenge grants from the Les Cheneaux Community Foundation. Businesses, organizations, and individuals have pledged contributions of money, materials, and labor toward various venues in the park. Other grant funding is in progress. The Recreation Fund will see numerous adjustments over the course of the 2007 fiscal year as development will move forward as funding revenues are received.

Planning & Zoning: Significant funding has been committed to updating the Master Plan and complete revamping of Zoning Ordinances. Grants of \$25,000 from the DEQ Coastal Zone Management Program, \$5,250 from the Les Cheneaux Community Foundation, and \$1,000 from Les Cheneaux Islands Association have been awarded to the Township to accomplish this large project. Most of these funds were confirmed after 2007 budget adoption and will necessitate future budget amendments. The Les Cheneaux Watershed Council has also been awarded another \$10,000 to assist Clark Township Planning Commission on planning and zoning issues related to watershed protection. A professional consulting firm will be hired.

Les Cheneaux Bike Path: The Les Cheneaux Bike Path Committee (Clark Township) is working with municipalities from St. Ignace to Drummond Island to complete a non-motorized path which they are calling the *North Huron Scenic Pathway*. Clark Township has been awarded a grant from the Les Cheneaux Community Foundation for \$10,000 to help pay for a pre-engineering study for our segment of the path. We also have been awarded another grant of \$3,000 (Community Foundation) which, along with a pending request for \$2,500 (Kodak Greenways program); will help with community outreach for this project. The 2007 budget will be adjusted to accommodate this project once funds are confirmed.

Roads: Clark Township voters passed a 5-year millage renewal for Road maintenance in 2005, which will bring in approximately \$166,612 in revenue for 2007. Road projects are in the planning stages for next summer. Tentatively scheduled improvements may include: Blindline Road, Islington Road, Island View, Swede Road, Chard Road, and Hilltop Road. In addition an upgrade in regulatory signage is underway by the Mackinac County Road Commission.

Airport: Tree Removal, brushing and light excavation are needed in the area of the landing strip. Repair of runway surface is also needed. Revenue from donations and a lease totaling \$2,362 are earmarked to begin these maintenance items in 2007.

Cemeteries: A new software program and GIS maps are planned for 2007. This addition will allow the Clerk's office to better document ownership and sales of cemetery property. New fences for the cemeteries will be installed in the upcoming fiscal year. Ownership of the Indian Cemetery is being transferred to the Native American Society for Historical Preservation.

Community Center: Rental Rates have been raised to cover costs of heating, electrical, cleaning, and solid waste expenses. The smaller room (formerly Clark Township Library) is being renovated to accommodate smaller groups which would help control heating costs in winter, etc.

Marinas & Beach: Launch Fees have been reinstituted for Hessel and Cedarville launch ramps; \$5.00 per launch or \$30.00 per season. These fees will be used to maintain and improve public access to the water.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Township Clerk's office at (906) 484-2672.

Basic Financial Statements

Clark Township, Michigan**Statement of Net Assets
June 30, 2006**

	Governmental Activities	Business-type Activities	Totals
ASSETS:			
Current Assets			
Cash & Equivalents - Unrestricted	\$ 913,825	\$ 32,517	\$ 946,342
- Restricted	-	5,000	5,000
Accounts Receivable	40,000	23,340	63,340
Special Assessments Receivable	1,573,843	-	1,573,843
Total Current Assets	2,527,668	60,857	2,588,525
Noncurrent Assets			
Capital Assets (Not Depreciated)	152,128	12795	164,923
Capital Assets (Net of Accumulated Depreciation)	527,758	1,305,697	1,833,455
Total Noncurrent Assets	679,886	1,318,492	1,998,378
TOTAL ASSETS	\$ 3,207,554	\$ 1,379,349	\$ 4,586,903
LIABILITIES:			
Current Liabilities			
Cash Overdrafts	\$ 45,817	\$ 8,047	\$ 53,864
Accounts Payable	2,279	-	2,279
Accrued Interest Payable	40,283	-	40,283
Other Liabilities	15,803	3,713	19,516
Installment Loans	12,500	-	12,500
Bonds Payable	90,000	-	90,000
Total Current Liabilities	206,682	11,760	218,442
Noncurrent Liabilities			
Installment Loans	263,700	-	263,700
Bonds Payable	3,172,000	-	3,172,000
Total Noncurrent Liabilities	3,435,700	-	3,435,700
TOTAL LIABILITIES	3,642,382	11,760	3,654,142
NET ASSETS:			
Invested in Capital Assets - net of related debt	403,686	1,318,492	1,722,178
Restricted	-	5,000	5,000
Unrestricted	(838,514)	44,097	(794,417)
TOTAL NET ASSETS	\$ (434,828)	\$ 1,367,589	\$ 932,761

Clark Township, Michigan

Statement of Activities For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Legislative	\$ 63,221	\$ -	\$ -	\$ -	\$ (63,221)	\$ -	\$ (63,221)
General Government	331,457	7,000	-	-	(324,457)	-	(324,457)
Public Works	140,227	20,825	-	-	(119,402)	-	(119,402)
Public Safety	64,152	27,495	11,365	2,530	(22,762)	-	(22,762)
Health & Welfare	54,017	93,602	-	-	39,585	-	39,585
Recreation and Culture	32,946	32,334	-	7,000	6,388	-	6,388
Interest Expense	169,218	-	-	-	(169,218)	-	(169,218)
Other Expenses	28,728	1,456	-	-	(27,272)	-	(27,272)
Depreciation Expense	16,160	-	-	-	(16,160)	-	(16,160)
Total Governmental Activities	900,126	182,712	11,365	9,530	(696,519)	-	(696,519)
Business-type Activities:							
Sewer	301,726	208,906	-	-	-	(92,820)	(92,820)
Total Business-type Activities	301,726	208,906	-	-	-	(92,820)	(92,820)
Total Primary Government	<u>\$ 1,201,852</u>	<u>\$ 391,618</u>	<u>\$ 11,365</u>	<u>\$ 9,530</u>	(696,519)	(92,820)	(789,339)
General Revenues:							
Taxes					529,485	-	529,485
State Revenue Sharing					173,754	-	173,754
Other					68,426	-	68,426
Investment Earnings (Loss)					34,256	408	34,664
Transfers					(60,000)	60,000	-
Total General Revenues and Transfers					745,921	60,408	806,329
Changes in Net Assets					49,402	(32,412)	16,990
Net Assets - Beginning					(831,186)	1,400,001	568,815
Prior Period Adjustments					346,956	-	346,956
Net Assets - Ending					<u>\$ (434,828)</u>	<u>\$ 1,367,589</u>	<u>\$ 932,761</u>

See accompanying notes to financial statements.

Clark Township, Michigan

Balance Sheet Governmental Funds June 30, 2006

	General	Road Fund	Ambulance Fund	Sewer Expansion	Nonmajor Funds	Total Governmental Funds
ASSETS:						
Cash & Equivalents	\$ 146,762	\$ 208,339	\$ 218,183	\$ 266,656	\$ 73,885	\$ 913,825
Accounts Receivable	40,000	-	-	-	-	40,000
Special Assessments Receivable	-	-	-	1,573,843	-	1,573,843
Due from Other Funds	-	-	-	-	23,017	23,017
TOTAL ASSETS	<u>\$ 186,762</u>	<u>\$ 208,339</u>	<u>\$ 218,183</u>	<u>\$ 1,840,499</u>	<u>\$ 96,902</u>	<u>\$ 2,550,685</u>
LIABILITIES:						
Cash Overdrafts	\$ 45,817	\$ -	\$ -	\$ -	\$ -	\$ 45,817
Accounts Payable	2,279	-	-	-	-	2,279
Accrued Liabilities	15,803	-	-	-	-	15,803
Due to Other Funds	20,529	-	-	2,488	-	23,017
Deferred Revenue	-	-	-	1,573,843	-	1,573,843
TOTAL LIABILITIES	<u>84,428</u>	<u>-</u>	<u>-</u>	<u>1,576,331</u>	<u>-</u>	<u>1,660,759</u>
FUND BALANCES:						
Unreserved	<u>102,334</u>	<u>208,339</u>	<u>218,183</u>	<u>264,168</u>	<u>96,902</u>	<u>889,926</u>
TOTAL FUND BALANCES	<u>102,334</u>	<u>208,339</u>	<u>218,183</u>	<u>264,168</u>	<u>96,902</u>	<u>889,926</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 186,762</u>	<u>\$ 208,339</u>	<u>\$ 218,183</u>	<u>\$ 1,840,499</u>	<u>\$ 96,902</u>	
Reconciliation to amounts reported for governmental activities in the statement of net assets:						
Capital assets used by governmental activities						679,886
Special Assessments recognized under full accrual accounting						1,573,843
Long-term notes and bonds payable for governmental activities						(3,538,200)
Accrued interest payable						(40,283)
Net assets of governmental activities						<u>\$ (434,828)</u>

See accompanying notes to financial statements.

Clark Township, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended June 30, 2006

	General	Road Fund	Ambulance Fund	Sewer Assessment	Nonmajor Funds	Total Governmental Funds
REVENUES:						
Taxes	\$ 286,772	\$ 146,174	\$ -	\$ 217,514	\$ 39,802	\$ 690,262
Federal Sources	-	50	-	-	-	50
State Sources	173,754	-	-	-	-	173,754
Local Sources	7,000	-	-	-	-	7,000
Charges for Services	182,712	-	-	-	-	182,712
Contributions	-	-	2,530	-	11,365	13,895
Interest & Rentals	28,209	-	4,457	4,408	1,717	38,791
Other Revenue	57,296	2,865	-	1,335	2,395	63,891
TOTAL REVENUES	735,743	149,089	6,987	223,257	55,279	1,170,355
EXPENDITURES:						
Legislative	63,221	-	-	-	-	63,221
General Government	331,457	-	-	-	-	331,457
Public Works	43,868	96,359	-	-	-	140,227
Public Safety	64,152	-	-	-	-	64,152
Health & Welfare	54,017	-	-	-	-	54,017
Recreation and Culture	32,946	-	-	-	-	32,946
Debt Service	26,125	-	-	161,975	60,480	248,580
Capital Outlay	-	-	4,523	-	90,722	95,245
Other Expenditures	28,728	-	-	-	-	28,728
TOTAL EXPENDITURES	644,514	96,359	4,523	161,975	151,202	1,058,573
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	91,229	52,730	2,464	61,282	(95,923)	111,782
OTHER FINANCING SOURCES (USES):						
Operating Transfers In	-	3,681	-	-	12,244	15,925
Operating Transfers Out	(15,925)	-	-	(60,000)	-	(75,925)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	75,304	56,411	2,464	1,282	(83,679)	51,782
FUND BALANCES, JULY 1	27,030	151,928	215,719	262,886	180,581	838,144
FUND BALANCES, JUNE 30	\$ 102,334	\$ 208,339	\$ 218,183	\$ 264,168	\$ 96,902	\$ 889,926

See accompanying notes to financial statements.

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2006**

Net Changes in fund balances – total governmental funds \$ 51,782

The change in net assets reported for governmental activities in the
Statement of Activities is different because:

Special assessments revenue is not recognized under the modified
accrual basis of accounting until received, rather than as it accrues. (160,828)

Repayment of principal 78,500

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of those assets is allocated over
their estimated useful lives as depreciation expense. This is the amount
by which capital outlay exceeded depreciation in the current period. 79,086

Interest on long-term debt is not recognized under the modified accrual
basis of accounting until due rather than as it accrues. 862

Changes in net assets – statement of activities \$ 49,402

**Statement of Net Assets
Proprietary Fund
June 30, 2006**

	Business-type Activities Enterprise Fund
	Sewer
ASSETS:	
Current Assets	
Cash & Equivalents - Unrestricted	\$ 32,517
- Restricted	5,000
Accounts Receivable	23,340
Total Current Assets	60,857
Noncurrent assets	
Capital Assets (net of accumulated depreciation)	1,318,492
TOTAL ASSETS	\$ 1,379,349
LIABILITIES:	
Current Liabilities	
Cash Overdrafts	\$ 8,047
Other Liabilities	3,713
TOTAL LIABILITIES	11,760
NET ASSETS	
Invested in Capital Assets	1,318,492
Unreserved	44,097
Reserved	5,000
TOTAL NET ASSETS	1,367,589
TOTAL LIABILITIES AND NET ASSETS	\$ 1,379,349

**Statement of Revenues, Expenses, and
Changes in Net Assets - Proprietary Fund
For the Year Ended June 30, 2006**

	Business-type Activities <u>Enterprise Fund</u> <u>Sewer</u>
OPERATING REVENUES:	
Charges for Services	\$ 205,504
Other	<u>3,402</u>
Total Operating Revenues	<u>208,906</u>
OPERATING EXPENSES:	
Employee Wages & Benefits	99,178
Fees for Services	25,336
Supplies	43,873
Fuel	5,372
Insurance	21,664
Repairs & Maintenance	11,800
Small Tools & Equipment	1,605
Depreciation Expense	43,707
Utilities	44,737
Training	769
Miscellaneous	<u>3,685</u>
Total Operating Expenses	<u>301,726</u>
Operating Income (Loss)	<u>(92,820)</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest on Deposits	<u>408</u>
Total Non-Operating Revenues (Expenses)	<u>408</u>
Income (Loss) Before Transfers	(92,412)
Transfers In	<u>60,000</u>
Changes in Net Assets	(32,412)
NET ASSETS, JULY 1	<u>1,400,001</u>
NET ASSETS, JUNE 30	<u><u>\$ 1,367,589</u></u>

**Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2006**

	Business-type Activities <u>Enterprise Fund</u> <u>Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers/payments (to) from other governmental units	\$ 198,606
Payments to Suppliers	(170,923)
Payments to Employees	(86,738)
Net Cash Provided (Used) by Operating Activities	<u>(59,055)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:	
Operating transfers in	<u>60,000</u>
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>60,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on Deposits	<u>408</u>
Net Cash Provided (Used) by Investing Activities	<u>408</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,353
Balances - Beginning of the Year	<u>28,117</u>
Balances - End of the Year	<u><u>\$ 29,470</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (92,820)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	43,707
Change in Assets and Liabilities:	
Accounts Receivable	(10,300)
Other Liabilities	<u>358</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (59,055)</u></u>

**Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2006**

	<u>Trust & Agency</u>
ASSETS:	
Cash & Cash Equivalents	<u>\$ 5,295</u>
 TOTAL ASSETS	 <u><u>\$ 5,295</u></u>
 LIABILITIES:	
Due to Other Governments	<u>\$ 5,295</u>
 TOTAL LIABILITIES	 <u><u>\$ 5,295</u></u>

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Clark Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the Township:

A – Reporting Entity:

Clark Township ("The Township") is a regular law Michigan township located in the eastern portion of Michigan's Upper Peninsula.

The Township operates under an elected Board of Trustees and provides services to its residents in many areas including public safety, community enrichment and development, public works, recreation and culture, and health services.

The Township, for financial purposes, includes all of the funds relevant to the operations of Clark Township. The financial statements herein do not include agencies which have been formed under applicable State laws or separate and distinct units of government apart from Clark Township.

Clark Township has considered all potential units in evaluating how to define the Township for financial reporting purposes. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement No. 39 of the Government Accounting Standards Board (GASB), The Financial Reporting Entity. The basic criteria include the appointment of a voting majority of the governing board of the unit; legal separation of the Township and the component unit, fiscal independence of the unit, whether exclusion of the unit would make the Township's financial statements misleading, and whether there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township.

Component Units:

In conformity with accounting principles generally accepted in the United States of America, the financial statements of the component units have been included in the financial reporting entity as blended component units.

Blended Component Units

Clark Township Building Authority – The Authority is an entity legally separate from the Township. The Authority is governed by a board appointed by the Clark Township Board of Trustees and is reported as if it were part of the Township's operations because its primary purpose is the procurement and management of debt financing for the Township.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**B – Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which, rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxes Receivable – Current or Property Taxes

The Clark Township property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in Clark Township as of the preceding December 31st.

The 2005 taxable valuation of Clark Township totaled \$159,197,340, on which ad valorem taxes levied consisted of 1.4259 mills for the Township operating, .9226 mills for Roads, .2513 for Sewer Debt, and .4539 mills for Sewer Expansion Debt, raising \$226,983 for operating, \$146,875 for Roads, \$40,006 for Sewer Debt, and \$72,260 for Sewer Expansion Debt. These amounts are recognized in the respective General and Special Revenue Fund financial statements as tax revenue.

The Township reports the following major governmental funds:

General Fund

This is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Road Fund

This fund accounts for the revenue collected to repair and maintain roads within the Township.

Ambulance Fund

This fund accounts for ambulance equipment replacement.

Sewer Expansion fund

This fund accounts for activities that create and maintain the sewer system within Clark Township.

The Township reports the following major business-type fund:

Sewer Fund

This fund accounts for activities that operate the sewer system within the Township.

Additionally, the Township reports the following fund types:

Agency Funds

Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D - Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Deposits are recorded at cost.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items – All inventories, including the cost of supplies, are expensed when purchased. The period of coverage for insurances at the Township coincides with its fiscal year. Therefore, insurance premiums are expensed.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the governmental type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant, and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Sewer System	40 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Grants and Other Intergovernmental Revenues – Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the respective grants.

Interfund Transfers – During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by Township management.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each May, after receiving input from the individual departments, the Board of Trustees prepares a proposed operating budget for the fiscal period commencing July 1 and lapses on June 30. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally enacted through a resolution passed by the Township Board.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

- d. Budgetary control is exercised at the board level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Trustees. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The Township does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year-end.

Budgeted amounts are as originally adopted or amended by the Board of Trustees during the year. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

Budget Violations – Public Act 621 of 1978, as amended, requires budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

Expenditures that exceeded appropriations by material amounts are as follows:

	Final Budget	Actual	Variance
General Fund:			
Township Board	\$ 58,897	\$ 63,221	\$ (4,324)
Transfer Out	-	15,925	(15,925)
Recreation Fund	50,000	79,012	(29,012)

NOTE 3 - DEPOSITS AND INVESTMENTS

At year end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Funds</u>
Cash and Cash Equivalents –			
Unrestricted	\$ 913,825	\$ 32,517	\$ 5,295
Restricted for Maintenance	-	5,000	-
Cash Overdrafts	(45,817)	(8,047)	-

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Bank Deposits (checking and savings accounts	\$ 865,978	\$ 5,295
Certificates of Deposit	<u>31,500</u>	<u>-</u>
Total	<u>\$ 897,478</u>	<u>\$ 5,295</u>

Investment and Deposit Risk

Interest Rate Risk. Through its investment policy, the Township manages its exposure risk to fair value losses arising from increasing interest rates by limiting the duration of its investment portfolio to one year or less.

Credit Risk. The Township's policy limits investments in bonds, bills, or notes of the United States; certificates of deposits; commercial paper rated prime 1 or prime 2, maturing 270 days or less.

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, \$286,215 of the Township's bank balance of \$939,109 was exposed to credit risk because it was uninsured and uncollateralized.

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the Township to deposit and invest in one or more of the following:

- a. Bond, securities, and other obligations of the United States or an agency or instrumentality of the United States.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 73,115	\$ 79,013	\$ -	\$ 152,128
Subtotal	<u>73,115</u>	<u>79,013</u>	<u>-</u>	<u>152,128</u>
Capital assets being depreciated:				
Buildings	595,296	-	-	595,296
Machinery and equipment	<u>3,997</u>	<u>16,233</u>	<u>-</u>	<u>20,230</u>
Subtotal	<u>599,293</u>	<u>16,233</u>	<u>-</u>	<u>615,526</u>

NOTE 4 - CAPITAL ASSETS (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Less accumulated depreciation for:				
Buildings	67,611	14,882	-	82,493
Machinery and equipment	<u>3,997</u>	<u>1,278</u>	<u>-</u>	<u>5,275</u>
Subtotal	<u>71,608</u>	<u>16,160</u>	<u>-</u>	<u>87,768</u>
Net Capital Assets Being Depreciated	<u>527,685</u>	<u>73</u>	<u>-</u>	<u>527,758</u>
Total Capital Assets - Net of Depreciation	<u>\$ 600,800</u>	<u>\$ 79,086</u>	<u>\$ -</u>	<u>\$ 679,886</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land	<u>\$ 12,795</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,795</u>
Subtotal	<u>12,795</u>	<u>-</u>	<u>-</u>	<u>12,795</u>
Capital assets being depreciated:				
Buildings	29,217	-	-	29,217
Machinery and equipment	189,477	-	-	189,477
Sewer system	<u>1,856,912</u>	<u>-</u>	<u>-</u>	<u>1,856,912</u>
Subtotal	<u>2,075,606</u>	<u>-</u>	<u>-</u>	<u>2,075,606</u>
Less accumulated depreciation for:				
Buildings	29,217	-	-	29,217
Machinery and equipment	109,303	18,948	-	128,251
Sewer system	<u>587,682</u>	<u>24,759</u>	<u>-</u>	<u>612,441</u>
Subtotal	<u>726,202</u>	<u>43,707</u>	<u>-</u>	<u>769,909</u>
Net Capital Assets Being Depreciated	<u>1,349,404</u>	<u>(43,707)</u>	<u>-</u>	<u>1,305,697</u>
Total Capital Assets – Net of Depreciation	<u>\$ 1,362,199</u>	<u>\$ (43,707)</u>	<u>\$ -</u>	<u>\$ 1,318,492</u>

Supporting information for the cost of capital assets and depreciation expense was not available.

NOTE 5 - LONG-TERM DEBT:

General Long-Term Debt - The bonds payable reflected in the basic financial statements consist of general obligation notes incurred by Clark Township. The Township has pledged the general full faith and credit of the Township for the payment of principal and interest on the bonds.

NOTE 5 - LONG-TERM DEBT: (Continued)

Changes in long-term debt during the year ending June 30, 2006 are summarized as follows:

	Balance 07/01/05	Additions	Deductions	Balance 06/30/06	Due Within One Year
Governmental Activities:					
1972 Mackinac County Sanitary Sewage Disposal System Revenue Bonds, maturing serially to 2012 in annual amounts ranging from \$22,000 to \$24,000 and bearing interest of 5% semiannually.	\$ 145,000	\$ -	\$ 1,000	\$ 144,000	\$ 24,000
Mackinac County Sanitary Sewage Disposal System #2 Bonds, Series 2002, maturing Serially to 2030 in annual amounts ranging from \$45,000 to \$155,000 and bearing interest of 2 to 5.125% semiannually.	2,330,000	-	55,000	2,275,000	55,000
Mackinac County Sewage Disposal System Bonds, Series 1999, maturing semiannually to 2039 in annual amounts ranging from \$9,000 to \$51,000 and bearing interest of 3.5347% semiannually.	853,000	-	10,000	843,000	11,000
Township Hall financing with Rural Development, due in annual installments of \$6,000 to \$19,000 through 2028, interest of 4.75% due semiannually.	266,000	-	6,000	260,000	6,000
Land financed with First National Bank, due in annual installments of \$6,500 through 2008, interest of 5.35% due semiannually.	22,700	-	6,500	16,200	6,500
TOTAL LONG-TERM OBLIGATIONS	\$ 3,616,700	\$ -	\$ 78,500	\$ 3,538,200	\$ 102,500

Annual debt service requirements to maturity for the above obligations are as follows:

Year End June 30	Governmental Activities	
	Principal	Interest
2007	\$ 102,500	\$ 155,084
2008	103,500	151,130
2009	106,200	146,688
2010	103,000	142,208
2011-2015	533,000	641,395
2016-2020	605,000	519,803
2021-2025	763,000	363,748
2026-2030	850,000	160,482
2031-2035	186,000	26,617
2036-2040	186,000	8,447
Total	<u>\$ 3,538,200</u>	<u>\$ 2,315,602</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The Township reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund Receivables and Payable are as follows:

		DUE TO OTHER FUNDS	
DUE FROM OTHER FUNDS		Nonmajor Governmental Funds	
	General Fund	\$	20,529
	Sewer Expansion		<u>2,488</u>
	Total	\$	<u>23,017</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

		TRANSFERS OUT		
TRANSFERS IN		General Fund	Sewer Assessment	Total
	Roads	\$ 3,681	\$ -	\$ 3,681
	Nonmajor Funds	12,244	-	12,244
	Sewer	-	60,000	60,000
	Total	\$ 15,925	\$ 60,000	\$ 75,925

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 7 - SPECIAL ASSESSMENTS RECEIVABLE AND DEFERRED REVENUE

At the time special assessments are approved, the amount of the assessments and related deferred revenue are recorded representing the total assessment due. Collections are recognized as they occur over the life of the assessment, ranging from 10 to 40 years. Early payment is permitted. Unpaid assessments are added to property tax bills and are accorded treatment similar to unpaid property tax, in that the County revolving tax fund will pay those delinquent amounts. The deferred revenue is recognized ratably over the term of the assessment. In the government-wide statements revenue is recognized when the improvement is completed.

NOTE 8 - RISK MANAGEMENT

Risk Management – The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Township joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The government pays an annual premium to the pool for its general insurance coverage.

The government continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The government is unable to provide an estimate of the amounts of additional assessments.

NOTE 9 - CONTINGENT LIABILITIES

The Township has received significant financial assistance from state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Township. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Township at June 30, 2006.

NOTE 10 - PRIOR PERIOD ADJUSTMENT

Beginning net assets of the governmental activities were restated to account for special assessments receivable not previously included in net assets.

Net assets as of June 30, 2005	\$ (831,186)
Prior period adjustment for recognition of special assessment receivable from prior years	<u>346,956</u>
Net assets restated	<u>\$ (484,230)</u>

Required Supplemental Information

Clark Township, Michigan

Required Supplemental Information Budgetary Comparison Schedule General Fund For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 301,230	\$ 301,230	\$ 286,772	\$ (14,458)
Federal Sources	15,000	15,000	-	(15,000)
State Sources	159,000	159,000	173,754	14,754
Local Sources	7,000	7,000	7,000	-
Charges for Services	128,850	132,005	182,712	50,707
Interest & Rentals	12,500	23,637	28,209	4,572
Other Revenue	23,149	53,042	57,296	4,254
TOTAL REVENUES	646,729	690,914	735,743	44,829
EXPENDITURES:				
Legislative:				
Township Board	29,832	58,897	63,221	(4,324)
General Government:				
Supervisor	52,350	44,125	42,873	1,252
Treasurer	51,362	43,248	40,231	3,017
Taxes	17,800	24,128	24,128	-
Data Processing	7,500	15,536	15,536	-
Clerk	56,708	44,930	42,203	2,727
Assessor	40,136	54,525	54,127	398
Board of Review	1,412	1,412	1,068	344
Township Hall	62,921	62,401	61,453	948
Hessel Hall	874	874	663	211
Community Center	21,893	23,289	21,442	1,847
Addressing	2,250	2,250	1,327	923
Elections	2,350	2,585	2,568	17
Cemetery	24,579	24,579	23,838	741
Total General Government	342,135	343,882	331,457	12,425
Public Works:				
Airport	11,891	11,891	11,563	328
Public Utilities	20,000	20,000	18,042	1,958
Solid Waste	14,304	14,304	14,263	41
Total Public Works	46,195	46,195	43,868	2,327
Public Safety:				
Fire Department	29,000	29,000	27,787	1,213
Zoning	32,256	33,025	17,316	15,709
Electrical Inspections	9,712	9,679	9,122	557
Building Inspections	9,916	9,950	9,927	23
Total Public Safety	80,884	81,654	64,152	17,502
Health & Welfare:				
Ambulance	38,670	54,205	54,017	188

Clark Township, Michigan**Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Recreation and Culture:				
Hessel Beach	1,610	1,610	585	1,025
Docks	38,690	38,690	32,361	6,329
Total Recreation and Culture	40,300	40,300	32,946	7,354
Debt Service:				
Principal	12,500	12,500	13,632	(1,132)
Interest	14,500	13,624	12,493	1,131
Total Debt Service	27,000	26,124	26,125	(1)
Other Expenditures:				
Insurance	38,100	38,100	27,149	10,951
Other	2,000	2,000	1,579	421
Total Other Expenditures	40,100	40,100	28,728	11,372
TOTAL EXPENDITURES	645,116	691,357	644,514	46,843
EXCESS OF REVENUES OVER EXPENDITURES	1,613	(443)	91,229	91,672
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	23,378	-	-	-
Operating Transfers Out	-	-	(15,925)	(15,925)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ 24,991	\$ (443)	75,304	\$ 75,747
FUND BALANCE, JULY 1			27,030	
FUND BALANCE, JUNE 30			\$ 102,334	

Clark Township, Michigan**Required Supplemental Information
Budgetary Comparison Schedule
Road Fund
For the Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 159,000	\$ 159,000	\$ 146,174	\$ (12,826)
Federal Sources	-	-	50	50
Other Revenue	1,000	1,000	2,865	1,865
TOTAL REVENUES	160,000	160,000	149,089	(10,911)
EXPENDITURES:				
Public Works	146,671	146,671	96,359	50,312
TOTAL EXPENDITURES	146,671	146,671	96,359	50,312
EXCESS OF REVENUES OVER EXPENDITURES	13,329	13,329	52,730	39,401
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	-	-	3,681	3,681
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ 13,329	\$ 13,329	56,411	\$ 43,082
FUND BALANCE, JULY 1			151,928	
FUND BALANCE, JUNE 30			\$ 208,339	

Clark Township, Michigan

Required Supplemental Information Budgetary Comparison Schedule Ambulance Fund For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Contributions	\$ 2,000	\$ 2,000	\$ 2,530	\$ 530
Interest & Rentals	500	2,023	4,457	2,434
TOTAL REVENUES	2,500	4,023	6,987	2,964
EXPENDITURES:				
Capital Outlay	3,000	4,523	4,523	-
TOTAL EXPENDITURES	3,000	4,523	4,523	-
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ (500)</u>	<u>\$ (500)</u>	2,464	<u>\$ 2,964</u>
FUND BALANCE, JULY 1			<u>215,719</u>	
FUND BALANCE, JUNE 30			<u>\$ 218,183</u>	

Other Supplemental Information

Clark Township, Michigan

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2006

	Special Revenue Funds						
	Recreation Fund	Fire Fund	Streetscape Fund	Hessel Marina	Airport Fund	Debt Service	Totals
ASSETS:							
Cash & Equivalents	\$ 3	\$ 11,178	\$ -	\$ 1,714	\$ 3,629	\$ 57,361	\$ 73,885
Due From Other Funds	-	-	20,528	-	-	2,489	23,017
TOTAL ASSETS	<u>\$ 3</u>	<u>\$ 11,178</u>	<u>\$ 20,528</u>	<u>\$ 1,714</u>	<u>\$ 3,629</u>	<u>\$ 59,850</u>	<u>\$ 96,902</u>
FUND BALANCES:							
Unreserved	\$ 3	\$ 11,178	\$ 20,528	\$ 1,714	\$ 3,629	\$ 59,850	\$ 96,902
TOTAL FUND BALANCES	<u>\$ 3</u>	<u>\$ 11,178</u>	<u>\$ 20,528</u>	<u>\$ 1,714</u>	<u>\$ 3,629</u>	<u>\$ 59,850</u>	<u>\$ 96,902</u>

Clark Township, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds For the Year Ended June 30, 2006

	Special Revenue Funds						
	Recreation Fund	Fire Fund	Streetscape Fund	Hessel Marina	Airport Fund	Debt Service	Totals
REVENUES:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,802	\$ 39,802
Contributions	-	8,599	-	-	2,766	-	11,365
Interest & Rentals	-	-	-	-	-	1,717	1,717
Other	-	-	-	68	862	1,465	2,395
TOTAL REVENUES	-	8,599	-	68	3,628	42,984	55,279
EXPENDITURES:							
Debt Service	-	-	-	-	-	60,480	60,480
Capital Outlay	79,012	11,710	-	-	-	-	90,722
TOTAL EXPENDITURES	79,012	11,710	-	-	-	60,480	151,202
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(79,012)	(3,111)	-	68	3,628	(17,496)	(95,923)
OTHER FINANCING SOURCES (USES):							
Operating Transfers In	2,435	-	4,981	-	4,828	-	12,244
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(76,577)	(3,111)	4,981	68	8,456	(17,496)	(83,679)
FUND BALANCES, JULY 1	76,580	14,289	15,547	1,646	(4,827)	77,346	180,581
FUND BALANCES, JUNE 30	\$ 3	\$ 11,178	\$ 20,528	\$ 1,714	\$ 3,629	\$ 59,850	\$ 96,902

Report on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
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MEMBER AICPA
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MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Clark Township, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clark Township, Michigan as of and for the year ended June 30, 2006, which collectively comprise Clark Township's basic financial statements and have issued our report thereon dated September 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clark Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clark Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 06-1.

We also noted certain additional matters that we reported to management of Clark Township in a separate letter dated September 20, 2006.

This report is intended solely for the information and use of the Board of Trustees, audit committee, management, and federal awarding agencies and pass-through entities and is not to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

September 20, 2006

Section II – Financial Statement Findings

NONCOMPLIANCE WITH STATE STATUTES

Expenditures in Excess of Appropriations—Budgetary Funds

Finding 06-1

Condition: Our examination of procedures used by the Township to adopt and maintain operating budgets for the Township's budgetary fund revealed the following instances of noncompliance with the provisions of Public Act 2 of 1968, as amended, the Uniform Budgeting and Accounting Act.

The Township's 2005-2006 General Appropriations Act (budget) provided for expenditures of the General Fund to be controlled to the activity level. As detailed, actual 2005-2006 expenditures exceeded the board's approved budget allocations for some general fund and recreation fund activities.

During the fiscal year ended June 30, 2006, expenditures were incurred in excess of amounts appropriated in the amended budgets for the general fund and ambulance fund listed in Note 2 of the financial statements.

Criteria: The expenditures of funds in excess of appropriations is contrary to the provisions of Section 16 of Public Act 2 of 1968, as amended.

Recommendation: We recommend that the Township and personnel responsible for administering the activities of the various funds of the Township, develop budgetary control procedures for the general fund and recreation fund, which will assure that expenditures do not exceed amounts authorized in the General Appropriations Act, or amendments thereof.

- Contact Person(s) Responsible for Correction:
Cathy Nordquist, Clerk
- Corrective Action Planned:
Management has agreed to correct the problem by monitoring the budgets more closely and performing budget amendments on a timely basis.
- Anticipated Completion Date:
September 2006.



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CERTIFIED PUBLIC ACCOUNTANTS

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REPORT TO MANAGEMENT

Board of Trustees
Clark Township
Cedarville, Michigan

We have audited the financial statements of Clark Township for the year ended June 30, 2006, and have issued our report thereon dated September 20, 2006. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Clark Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Clark Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicate matters that could have a significant effect on the Township's financial reporting process. Significant audit adjustments were made to correct various errors. In addition, the attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the basic financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's basic financial statements or a determination of the type of auditors' opinion to be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Comments and Recommendations

Special Assessment Cards (Prior Year)

Currently the special assessment receivable record for each account is kept manually on a ledger card.

The Township should consider computerizing the records, backup the information daily, and store in a fireproof location in the Township hall.

Response: The Treasurer recognizes the problem and plans to computerize these records and make them a part of the overall systems' automatic back-up and security procedures.

Accrued Sick Time (Prior Year)

We noted when calculating accrued sick time that each individual employee's sick time was based upon their personal start date. We recommend that sick time be prorated for new employees to correlate with the fiscal year end and each employee be given the appropriate number of days (4) each year.

Response: The Board will clarify the policy in the personnel manual and corrections will be implemented.

Policies (Prior Year)

Management of the Township is in the process of updating its policies; we recommend that the following policies be adopted: Authorized Investments, Conflict of Interest, Fixed Asset Capitalization, and Purchasing/Procurement.

Response: During the time frame of the audit, Clark Township did not have a credit card; no policy was needed. Other policies will be reviewed, updated and/or implemented.

SEC rule 15C2-12 Disclosure Requirements (Prior Year)

SEC Rule No. 240.15c2-12 requires issuers of municipal securities in principal amounts of \$1 million or more or whose outstanding aggregate debt exceeds \$10 million to report financial and operational information as well as notice of material events to nationally recognized municipal securities information repositories annually. With the issuance of the bonds for the sewer system, the Township is subject to these reporting requirements. We recommend that the Township establish a written plan and process to ensure that this report is completed and filed by December 31st of each year.

Response: The Supervisor will implement procedures to ensure that the disclosure requirements are met and that reports are provided to the appropriate institutions by end of the calendar year.

Check Numbering

Upon a review of checks clearing the bank, we noted that many of the checks had different check numbers on the general ledger than that which cleared the bank. The problem occurs when the checks are printed. We recommend that the township purchase checks without check numbers preprinted and that care be taken to ensure that the check numbers printed on the check match that which is posted on the general ledger. This allows for a clear audit trail and will aid in reconciling the bank account.

Bank Reconciliation

Upon our review of bank reconciliations it was determined that they were not done on a timely basis. It is recommended that bank reconciliations be completed within six weeks of month end.

Personal Property Taxes

Currently, the Township is not recording the amount of outstanding delinquent personal property taxes that are due to the Township in the general ledger. It is recommended the Township record the amount of outstanding delinquent personal property taxes in the general ledger of each fund that has a tax levy. The Township should maintain subsidiary ledgers which show the amount of delinquent personal property taxes owed by each taxing unit by individual tax year.

Deficit Cash

As of June 30, 2006, the following funds had accumulated cash deficits:

<u>Fund</u>	<u>Deficit Amount</u>
General	\$ (45,817)
Sewer	(8,047)

We recommend that individual fund statements be reviewed on a periodic basis to determine if any funds have a deficit cash balance.

Conclusion

This information is intended solely for the use of the Board of Trustees, federal awarding agencies, pass through entities, and management of Clark Township and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

September 20, 2006